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Priorities for the next political cycle

Ten years ago the focus was very much on preparing for the introduction of a new regulatory framework for the insurance sector in response to a global financial crisis. The result – Solvency II – better aligned capital to risk, introduced a risk-based approach to assess and mitigate risks, strengthened governance models and introduced forward-looking risk management.

The framework has proved its robustness with the insurance sector weathering a series of crisis: a global pandemic, Russia's unlawful invasion of Ukraine, an energy crisis and inflation. It is not surprising that outside of Europe, many countries are mirroring Solvency II in their own regulatory frameworks.

Fast forward to today and Solvency II is one of a myriad of regulations affecting the insurance sector. Technological developments, climate change, and the interconnectedness of financial services – these are all factors that have contributed to new legislation in particular, horizontal legislation, that cuts across sectors. Indeed, following the extensive legislative activity, the European Insurance and Occupational Pensions Authority (EIOPA) believes that a first priority for the new Commission and co-legislators is to focus on implementation so that both industry and supervisors have sufficient time to ensure frameworks operate effectively.

Beyond implementation, however, there are other more specific areas requiring attention.

First and foremost are protection gaps. Whether talking about climate or cyber, success will stem from increasing knowledge of the source of gaps at policy maker and industry level, and raising awareness at consumer level. Access to good data on losses and exposures underpins both, and EIOPA sees a role in collecting data, ensuring open access to data, as well as supporting any future data-exchange, for example of cyber incidents, under different frameworks.

There is also a need to make sure that insurance is available, affordable and is also taken up. Again, awareness is important here. EIOPA would recommend the development of a tool to increase consumer awareness of their risk exposure and facilitate the adoption of risk prevention measures.

Pension gaps also require attention, with a growing number of people at risk of poverty in older age. In addition to further work on pensions tracking systems and dashboards, EIOPA also recommends taking a second look at the pan-European personal pension product (PEPP). While PEPP uptake has not been as high as hoped, EIOPA firmly believes that there is still demand for a simple, transparent, portable, digital-first savings product to help close savings gaps. More broadly, increasing pension savings will contribute to the development of the Capital Markets Union (CMU) through retail investment. However, the shift from defined benefit to defined contributions requires proper oversight of products, which could be achieved through a convergent EU approach to conduct supervision of personal pensions products. This will help ensure that products offer value to consumers.

In this regard, EIOPA has already made advances in the area of value for money and will continue to place consumer protection at the heart of its work, furthering work on the development of supervisory benchmarks and continuing to engage on the Retail Investment Strategy.

Improvements to the supervision of insurers operating across borders will also help to safeguard consumer protection and ensure trust in the Single Market. EIOPA has long argued that when home national competent authorities fail to act and policyholder protection is at risk, there should be effective last-resort measures in place to protect policyholders. The EU supervisory community via EIOPA's Board of Supervisors should be able to take a directly binding decision to stop consumer detriment immediately. A minimum harmonisation of IGSs would also help ensure adequate and consistent consumer protection across the Single Market.

While there has been much progress in the areas of sustainable finance and digitalisation, now is not the time for complacency. Regarding sustainable finance, further incorporating sustainability risks into both the prudential and conduct frameworks can ensure a more resilient and sustainable financial system. With digitalisation, it is important to continue to support innovation, but not at the expense of good consumer outcomes.

The next political cycle should build aim to strengthen competitiveness, deepen the Capital Markets.

Data is at the heart of the insurance and pensions sectors, for industry, consumers, and for supervisors. For this reason, EIOPA supports standardized, high-quality, and available data, as well as the smarter use of data and technology for supervision to improve products and services for consumers, and the ethical use of data to combat financial exclusion and safeguard privacy.

Much has been accomplished under the last political cycle to build robust and resilient insurance and pensions sectors. The next political cycle should build on this to strengthen competitiveness, deepen the CMU and foster good consumer outcomes.